



**Fourth Report of  
KSV Kofman Inc. as  
Information Officer of  
Hollander Sleep Products, LLC,  
Hollander Sleep Products Canada Limited,  
Dream II Holdings, LLC,  
Hollander Home Fashions Holdings, LLC,  
Pacific Coast Feather, LLC,  
Hollander Sleep Products Kentucky, LLC  
and Pacific Coast Feather Cushion, LLC**

December 17, 2019

## Contents

	Page
1.0 Introduction.....	1
1.1 Purposes of this Report.....	2
1.2 Currency .....	3
1.3 Restrictions .....	3
2.0 Background .....	3
3.0 Proposed Recognition of US Court Orders .....	4
3.1 The Name Change Order.....	4
3.2 Objection Extension Order .....	5
3.3 Omnibus Objection Order.....	5
4.0 Conclusion and Recommendation .....	7

## Appendices

Appendix	Tab
Initial Recognition Order dated May 23, 2019 .....	A
Supplemental Order dated May 23, 2019 (without schedules) .....	B
Proposed Information Officer's Report dated May 23, 2019 (without appendices).....	C
Omnibus Objection Notice .....	D
Notice of Satisfaction .....	E



COURT FILE NO.: CV19-620484-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C 1985, C.C-36, AS AMENDED

AND IN THE MATTER OF HOLLANDER SLEEP PRODUCTS, LLC,  
HOLLANDER SLEEP PRODUCTS CANADA LIMITED, DREAM II HOLDINGS, LLC,  
HOLLANDER HOME FASHIONS HOLDINGS, LLC, PACIFIC COAST FEATHER, LLC,  
HOLLANDER SLEEP PRODUCTS KENTUCKY, LLC AND  
PACIFIC COAST FEATHER CUSHION, LLC

APPLICATION OF HOLLANDER SLEEP PRODUCTS, LLC UNDER SECTION 46 OF THE  
*COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

FOURTH REPORT OF KSV KOFMAN INC.  
AS INFORMATION OFFICER

DECEMBER 17, 2019

## 1.0 Introduction

1. On May 19, 2019, Hollander Sleep Products, LLC (the "Foreign Representative"), Dream II Holdings, LLC, Hollander Home Fashions Holdings, LLC, Pacific Coast Feather, LLC, Hollander Sleep Products Kentucky, LLC, Pacific Coast Feather Cushion, LLC (collectively, the "US Debtors") and Hollander Sleep Products Canada Limited (the "Canadian Debtor" and together with the US Debtors, the "Chapter 11 Debtors") commenced proceedings by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York (the "US Court") (the "Chapter 11 Proceedings").
2. On May 21, 2019, the US Court heard the Chapter 11 Debtors' first day motions and granted certain orders on May 22, 2019 and May 23, 2019 (collectively, the "First Day Orders").
3. On May 23, 2019, the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court") issued the following orders pursuant to Part IV of the *Companies' Creditors Arrangement Act* ("CCAA"):
  - a) the Initial Recognition Order (Foreign Main Proceeding), a copy of which is attached as Appendix "A", which, *inter alia*, recognizes the Chapter 11 Proceedings as a "foreign main proceeding" and recognizes the Foreign Representative as the "foreign representative", as defined in section 45 of the CCAA, and stays all proceedings against the Chapter 11 Debtors; and

- b) the Supplemental Order (Foreign Main Proceeding) (the “Supplemental Order”), a copy of which is attached as Appendix “B” (without schedules), which, *inter alia*, appoints KSV Kofman Inc. (“KSV”) as Information Officer in these proceedings (in such capacity, the “Information Officer”), grants certain stays as set out therein, grants the Administration Charge and the DIP ABL Charge (each as defined in the Supplemental Order) and recognizes certain of the First Day Orders.
4. The principal purpose of the Chapter 11 Proceedings was to implement a restructuring transaction for the Chapter 11 Debtors either through a debt-to-equity transaction with the Chapter 11 Debtors’ term lenders contemplated by the restructuring support agreement dated as of May 19, 2019, as amended and restated on July 21, 2019 (the “RSA”), or pursuant to a superior going-concern transaction generated by the court-approved sale process (“Sale Process”)<sup>1</sup> carried out by Houlihan Lokey Capital, Inc. (“Houlihan”).
5. This report (“Report”) has been filed with the Canadian Court in KSV’s capacity as Information Officer.

## 1.1 Purposes of this Report

1. The purposes of this Report are to:
  - a) provide an update on the Chapter 11 Proceedings and a summary of the US Court orders for which Canadian Court recognition is being sought by the Foreign Representative at this time;
  - b) provide the Information Officer’s commentary on the reasonableness of Canadian Court’s recognition of:
    - i. a US Court order entered on November 19, 2019 (the “Name Change Order”), pursuant to which the Plan Administrator (as defined below) was authorized to change the corporate names of the Chapter 11 Debtors (with the exception of Dream II Holdings, LLC);
    - ii. a US Court order entered on December 12, 2019 (the “Objection Extension Order”), pursuant to which, *inter alia*, the deadline to file objections to administrative expense claims in the Claims Process was extended to January 30, 2020;
    - iii. a US Court order entered on December 16, 2019 (the “Omnibus Objection Order”), pursuant to which, *inter alia*, the objection procedures (“Objection Procedures”) and claims satisfaction procedures (“Satisfaction Procedures”) were amended to authorize the Plan Administrator to assert substantive objections to claims filed in the Claims Process; and

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<sup>1</sup> The Sale Process and bidding procedures were approved by the US Court on July 3, 2019 and recognized by the Canadian Court on July 5, 2019.

- c) recommend that this Court make an order recognizing the Name Change Order, the Objection Extension Order and the Omnibus Objection Order and amending the Style of Cause in these proceedings to reflect the new legal names of the Chapter 11 debtors.

## **1.2 Currency**

1. All currency references in this Report are to US dollars.

## **1.3 Restrictions**

1. In preparing this Report, the Information Officer has relied upon unaudited financial information prepared by the Chapter 11 Debtors' representatives, the Chapter 11 Debtors' books and records and discussions with the Plan Administrator and/or its US counsel.
2. The Information Officer has not performed an audit or other verification of such information. Future oriented financial information relied upon in this Report is based on the Chapter 11 Debtors' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The Information Officer expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report or relied upon by the Information Officer in its preparation of this Report.

## **2.0 Background**

1. Prior to these proceedings, the Chapter 11 Debtors operated in the bedding products market, manufacturing pillows, comforters, mattress pads and other bedding products. The Chapter 11 Debtors produced bedding items for certain well-known brands, including Ralph Lauren®, Simmons®, Beautyrest®, Nautica® and Waverly®.
2. The Canadian Debtor was the Chapter 11 Debtors' only operating entity in Canada, which operated from leased manufacturing facilities in Toronto and Montreal.
3. On June 21, 2019, the US Court granted an order approving a claims process (the "Claims Process"), which was recognized by the Canadian Court on July 5, 2019.
4. On July 21, 2019, the Chapter 11 Debtors filed an amended disclosure statement (the "Disclosure Statement") with respect to the Chapter 11 Debtors' First Amended Joint Plan of Reorganization Pursuant to Chapter 11 of the Bankruptcy Code (including all exhibits thereto, the "Plan"). Solicitation versions of the Plan and the Disclosure Statement were filed with the US Court on July 25, 2019 and a modified first amended joint Plan was filed on September 3, 2019.
5. On September 5, 2019, the US Court confirmed the Plan (the "Confirmed Plan") and approved a going-concern transaction generated by the Sale Process (the "Sale Transaction") for substantially all of the Chapter 11 Debtors' business and assets, including the Canadian Debtor's business and assets, to Bedding Acquisition, LLC (the "Purchaser"), an entity incorporated by Centre Lane Partners, LLC, a US private equity firm (the "Confirmation Order").

6. On September 11, 2019, the Canadian Court issued orders recognizing and approving the Confirmation Order and the Sale Transaction and vesting in the Purchaser substantially all of the Chapter 11 Debtors' business and assets. The Sale Transaction closed on September 13, 2019.
7. Pursuant to the Confirmation Order, Drivetrain, LLC was appointed as the plan administrator ("Plan Administrator") to wind down the Chapter 11 Debtors' corporate entities, including administering the liquidation of any assets excluded from the Sale Transaction.
8. Further information concerning the Chapter 11 Debtors' background, their corporate structure, the Chapter 11 Proceedings, the RSA and the initial version of the Plan is provided in the Report of the Proposed Information Officer dated May 23, 2019, a copy of which (without appendices) is attached as Appendix "C". Accordingly, that information is not repeated in this Report. Copies of all materials filed with the Canadian Court in these proceedings are available on the Information Officer's website at <https://www.ksvadvisory.com/insolvency-cases/case/hollander-sleep-products-canada-limited>.

### 3.0 Proposed Recognition of US Court Orders<sup>2</sup>

1. The Information Officer's summary of the US Court orders for which Canadian Court approval is being sought is provided in the following sections of this Report.

#### 3.1 The Name Change Order

1. The Name Change Order authorizes the Plan Administrator to change the corporate names of the Chapter 11 Debtors. Pursuant to the Asset Purchase Agreement between the Chapter 11 Debtors and the Purchaser, the Chapter 11 Debtors (other than Dream II Holdings, LLC) were required to change their corporate names within ninety days of closing the Sale Transaction. The name changes are summarized in the table below.

Prior Name	New Name
Hollander Sleep Products, LLC	HSP Liquidation, LLC
Hollander Home Fashions Holdings, LLC	HHFH Liquidation, LLC
Hollander Sleep Products Kentucky, LLC	HSPK Liquidation, LLC
Pacific Coast Feather, LLC	PCF Liquidation, LLC
Pacific Coast Feather Cushion, LLC	PCFC Liquidation, LLC
Hollander Sleep Products Canada Limited	HSPC Liquidation Limited

<sup>2</sup> Capitalized terms not otherwise defined in this section of the Report have the meanings provided to them in the applicable US Court order.

2. The Information Officer believes the Name Change Order should be recognized by the Canadian Court as it is in accordance with the Asset Purchase Agreement which was previously approved by both the US and Canadian Courts and it will not result in any prejudice to the creditors or other stakeholders of the Canadian Debtor.
3. The new names will be reflected in the case captions in the US Court. Similarly, the Foreign Representative is seeking to modify the Style of Cause in these proceedings to reflect the new names of the Chapter 11 Debtors.

### **3.2 Objection Extension Order**

1. The Confirmed Plan contemplated that the Administrative Claims Objection Bar Date was the later of (a) 60 days after the Effective Date, being November 12, 2019 and (b) 60 days after the filing of the applicable request for payment of the Administrative Claims. There was also a provision which contemplated that the Administrative Claims Objection Bar Date may be extended by a further order of the US Court.
2. By October 15, 2019, being the Administrative Claims Bar Date, approximately 190 Administrative Claims with an aggregate amount of approximately \$22.5 million had been filed against the Chapter 11 Debtors. These claims are in respect of the costs and expenses of preserving the estates and operating the Chapter 11 Debtors during the Chapter 11 Proceedings.
3. The Objection Extension Order authorizes the extension of the Administrative Claims Objection Bar Date to January 30, 2020.
4. The Information Officer is of the view that the extension is reasonable for the following reasons:
  - a) the extension was requested to provide the Plan Administrator with additional time to complete its review of the Administrative Claims filed in the Claims Process;
  - b) no creditor will be prejudiced by the extension and no parties objected to the Motion by the Objection Deadline in the Chapter 11 Proceedings;
  - c) based on the Administrative Claims listings provided by the Plan Administrator's US Counsel, no Canadian creditors have filed Administrative Claims; and
  - d) although the extension may have no impact on Canadian stakeholders, it is appropriate for the Canadian Court to recognize the Objection Extension Order as it amends a prior order which was recognized by the Canadian Court, being the Confirmation Order.

### **3.3 Omnibus Objection Order**

1. The Omnibus Objection Order authorizes, *inter alia*, the Objection Procedures and the Satisfaction Procedures outlined below and authorizes the Plan Administrator to assert substantive objections to Claims in an omnibus format.

2. As of November 5, 2019, 681 proofs of claim had been filed against the Chapter 11 Debtors in the aggregate amount of \$36.7 million (in addition to the Administrative Claims described above). The Omnibus Objection Order authorizes the Plan Administrator to object to certain claims in an Omnibus Objection format in order to complete the claims reconciliation process in a timely, efficient and cost-effective manner as opposed to filing hundreds of individual and duplicative objections on a claim-by-claim basis.
3. Claims may be joined in an Omnibus Objection format if all the claims were filed by the same entity or the objections are based solely on the grounds that the claims should be disallowed for certain reasons, which may include claims that, *inter alia*:
  - a) are inconsistent with the Chapter 11 Debtors' books and records;
  - b) fail to specify the asserted claim amount;
  - c) fail to sufficiently specify the basis for the claim or fail to provide sufficient supporting documentation;
  - d) seek recovery of amounts for which the Chapter 11 Debtors are not liable;
  - e) are satisfied by payment in full on account of such claim from a party that is not a Chapter 11 Debtor; and
  - f) are to be satisfied by the Chapter 11 Debtors' insurers.
4. The Objection Procedures set out, *inter alia*:
  - a) the type of supporting documentation the Plan Administrator will include with each Omnibus Objection;
  - b) the form of notice that will be provided to affected creditors (the "Objection Notice"). The Objection Notice includes, among other things, the basis for the objection to each particular claim, the response date, response procedures and the date, time and location of the hearing and related procedures. A copy of the Objection Notice is attached as Appendix "D";
  - c) the information necessary for affected creditors to attempt to informally resolve the objection to their claim or file a formal response ("Objection Response") and the implication of failing to timely resolve or respond to such objection; and
  - d) that Objection Responses must be received by 4:00pm Eastern Time on the day that is twenty calendar days from the date the Omnibus Objection is served (the "Response Deadline").
5. The Satisfaction Procedures are in respect of claims that the Plan Administrator believes have been satisfied in full pursuant to the Confirmed Plan, other order of the US Court and/or the assumption of the relevant contract and include, *inter alia*:
  - a) the form of omnibus Notice of Satisfaction, a copy of which is attached as Appendix "E";



- b) the information necessary for affected creditors to file a formal response (“Satisfaction Response”);
  - c) information regarding the implication of failing to timely resolve or respond to such objection; and
  - d) that Satisfaction Responses must be received by a date to be determined by the Plan Administrator.
6. The Information Officer believes that the Omnibus Objection Order is reasonable and appropriate for the following reasons:
- a) the Objection Procedures and Satisfaction Procedures appear to be more streamlined and efficient than providing potentially duplicative objections on an individual basis as contemplated by the Claims Process;
  - b) the Objection Notice and Notice of Satisfaction provide creditors with appropriate information in respect of the basis for the objection and the process for filing an Objection Response and Satisfaction Response;
  - c) no parties objected to the Motion by the Objection Deadline in the Chapter 11 Proceedings; and
  - d) recognizing it is appropriate given that it is an amendment to the Claims Process, which was recognized by the Canadian Court on July 5, 2019.
7. Based on the foregoing, the Information Officer recommends that the Canadian Court grant an order recognizing the Omnibus Objection Order.

#### **4.0 Conclusion and Recommendation**

1. Based on the foregoing, the Information Officer respectfully recommends that this Court make an order granting the relief detailed in Section 1.1(1)(c) of this Report.

\* \* \*

All of which is respectfully submitted,

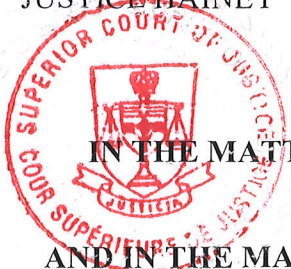


**KSV KOFMAN INC.  
IN ITS CAPACITY AS INFORMATION OFFICER OF  
THE CHAPTER 11 DEBTORS  
AND NOT IN ITS PERSONAL CAPACITY**

## **Appendix “A”**

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

THE HONOURABLE MR. ) THURSDAY, THE 23<sup>RD</sup>  
)  
JUSTICE HAINES ) DAY OF MAY, 2019  
)



IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF HOLLANDER SLEEP PRODUCTS, LLC, HOLLANDER  
SLEEP PRODUCTS CANADA LIMITED, DREAM II HOLDINGS, LLC, HOLLANDER  
HOME FASHIONS HOLDINGS, LLC, PACIFIC COAST FEATHER, LLC,  
HOLLANDER SLEEP PRODUCTS KENTUCKY, LLC AND PACIFIC COAST  
FEATHER CUSHION, LLC

APPLICATION OF HOLLANDER SLEEP PRODUCTS, LLC UNDER SECTION 46 OF  
THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS  
AMENDED

INITIAL RECOGNITION ORDER  
(FOREIGN MAIN PROCEEDING)

**THIS APPLICATION**, made by Hollander Sleep Products, LLC (“HSP”) in its capacity as the foreign representative (the “**Foreign Representative**”) of HSP, Hollander Sleep Products Canada Limited, Dream II Holdings, LLC, Hollander Home Fashions Holdings, LLC, Pacific Coast Feather, LLC, Hollander Sleep Products Kentucky, LLC and Pacific Coast Feather Cushion, LLC (collectively, the “**Chapter 11 Debtors**”), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) for an Order substantially in the form enclosed in the Application Record, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Application, the affidavit of Marc Pfefferle sworn May 23, 2019 (the “**Pfefferle Affidavit**”), filed, the pre-filing report of KSV Kofman Inc., in its capacity

as proposed information officer (the “**Information Officer**”) dated May 23, 2019, and upon being provided with copies of the documents required by section 46 of the CCAA,

**AND UPON BEING ADVISED** by counsel for the Foreign Representative that in addition to this Initial Recognition Order, a Supplemental Order (Foreign Main Proceeding) (the “**Supplemental Order**”) is being sought,

**AND UPON HEARING** the submissions of counsel for the Foreign Representative, counsel for the proposed Information Officer, counsel for the ABL Agent and the DIP ABL Agent (each as defined in the Pfefferle Affidavit) and counsel for the Term Loan Agent and the DIP Term Loan Agent (each as defined in the Pfefferle Affidavit), and those other parties present, no one else appearing although duly served as appears from the affidavit of service of Evan Barz sworn May 23, 2019:

#### **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

#### **FOREIGN REPRESENTATIVE**

2. **THIS COURT ORDERS AND DECLARES** that the Foreign Representative is the “foreign representative” as defined in section 45 of the CCAA of the Chapter 11 Debtors in respect of the cases commenced in the United States Bankruptcy Court for the Southern District of New York by the Chapter 11 Debtors pursuant to Chapter 11 of the United States Bankruptcy Code (collectively, the “**Foreign Proceeding**”).

#### **CENTRE OF MAIN INTEREST AND RECOGNITION OF FOREIGN PROCEEDING**

3. **THIS COURT DECLARES** that the centre of its main interests for each of the Chapter 11 Debtors is the United States of America and that the Foreign Proceeding is hereby recognized as a “foreign main proceeding” as defined in section 45 of the CCAA.

**STAY OF PROCEEDINGS**

4. **THIS COURT ORDERS** that until otherwise ordered by this Court:
- (a) all proceedings taken or that might be taken against the Chapter 11 Debtors under the *Bankruptcy and Insolvency Act* or the *Winding-up and Restructuring Act* are stayed;
  - (b) further proceedings in any action, suit or proceeding against the Chapter 11 Debtors are restrained; and
  - (c) the commencement of any action, suit or proceeding against the Chapter 11 Debtors is prohibited.

**NO SALE OF PROPERTY**

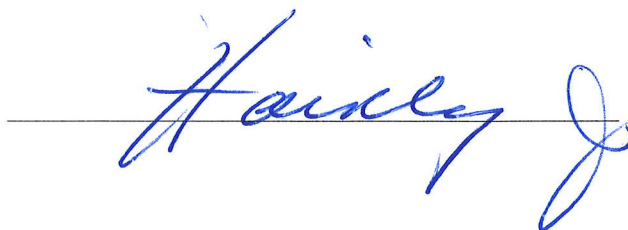
5. **THIS COURT ORDERS** that, except with leave of this Court, each of the Chapter 11 Debtors is prohibited from selling or otherwise disposing of:
- (a) outside the ordinary course of its business, any of its property in Canada that relates to the business; and
  - (b) any of its other property in Canada.

**GENERAL**

6. **THIS COURT ORDERS** that within five (5) business days from the date of this Order, or as soon as practicable thereafter, the Information Officer shall cause to be published a notice once a week for two consecutive weeks, in the *Globe and Mail* (National Edition) regarding the issuance of this Order and the Supplemental Order.
7. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada and the United States of America, to give effect to this Order and to assist the Chapter 11 Debtors and the Foreign Representative and their respective counsel and agents in carrying out the terms of this Order.

8. **THIS COURT ORDERS AND DECLARES** that this Order shall be effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

9. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days notice to the Chapter 11 Debtors and the Foreign Representative and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.



ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

MAY 23 2019

PER / PAR:



IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED

Court File No: CV-19-620484-00CL

AND IN THE MATTER OF HOLLANDER SLEEP PRODUCTS, LLC, HOLLANDER SLEEP PRODUCTS CANADA LIMITED, DREAM II HOLDINGS, LLC, HOLLANDER HOME FASHIONS HOLDINGS, LLC, PACIFIC COAST FEATHER, LLC, HOLLANDER SLEEP PRODUCTS KENTUCKY, LLC AND PACIFIC COAST FEATHER CUSHION, LLC

APPLICATION OF HOLLANDER SLEEP PRODUCTS, LLC UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

Applicant

*Ontario*  
**SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**  
Proceeding commenced at Toronto

**INITIAL RECOGNITION ORDER  
(FOREIGN MAIN PROCEEDING)**

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Lawyers for the Applicant

## **Appendix “B”**



ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

THE HONOURABLE MR. ) THURSDAY, THE 23<sup>RD</sup>  
 )  
JUSTICE HAINEY ) DAY OF MAY, 2019  
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FEATHER CUSHION, LLC

APPLICATION OF HOLLANDER SLEEP PRODUCTS, LLC UNDER SECTION 46 OF  
THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS  
AMENDED

SUPPLEMENTAL ORDER  
(FOREIGN MAIN PROCEEDING)

**THIS APPLICATION**, made by Hollander Sleep Products, LLC ("**HSP**") in its capacity as the foreign representative (the "**Foreign Representative**") of HSP, Hollander Sleep Products Canada Limited ("**Hollander Canada**"), Dream II Holdings, LLC, Hollander Home Fashions Holdings, LLC, Pacific Coast Feather, LLC, Hollander Sleep Products Kentucky, LLC and Pacific Coast Feather Cushion, LLC (collectively, the "**Chapter 11 Debtors**" and each, a "**Chapter 11 Debtor**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an Order substantially in the form enclosed in the Application Record, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Application, the affidavit of Marc Pfefferle sworn May 23, 2019 (the "**Pfefferle Affidavit**"), filed, the pre-filing report of KSV Kofman Inc., in its capacity as proposed Information Officer (as defined herein) dated May 23, 2019 (the "**Pre-Filing**

**Report**”), and upon being provided with copies of the documents required by section 46 of the CCAA,

**AND UPON HEARING** the submissions of counsel for the Foreign Representative, counsel for the proposed Information Officer, counsel for the ABL Agent and the DIP ABL Agent (each as defined in the Pfefferle Affidavit) and counsel for the Term Loan Agent and the DIP Term Loan Agent (each as defined in the Pfefferle Affidavit), and those other parties present, no one else appearing although duly served as appears from the affidavit of service of Evan Barz sworn May 23, 2019:

### **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS** that capitalized terms used herein and not otherwise defined have the meaning given to them in the Pfefferle Affidavit.

### **INITIAL RECOGNITION ORDER**

3. **THIS COURT ORDERS** that the provisions of this Order shall be interpreted in a manner complementary and supplementary to the provisions of the Initial Recognition Order (Foreign Main Proceeding) dated as of May 23, 2019 (the “**Recognition Order**”), provided that in the event of a conflict between the provisions of this Order and the provisions of the Recognition Order, the provisions of the Recognition Order shall govern.

### **RECOGNITION OF FOREIGN ORDERS**

4. **THIS COURT ORDERS** that the following orders (collectively, the “**Foreign Orders**”) of the United States Bankruptcy Court for the Southern District of New York (the “**U.S. Bankruptcy Court**”) made in the Foreign Proceeding (as defined in the Recognition Order) are hereby recognized and given full force and effect in all provinces and territories of Canada pursuant to section 49 of the CCAA:

- (a) *Order (A) Authorizing Hollander Sleep Products, LLC to Act as Foreign Representative and (B) Granting Related Relief* (the “**Foreign Representative Order**”);
- (b) *Order (A) Directing Joint Administration of Chapter 11 Cases and (B) Granting Related Relief* (the “**Joint Administration Order**”);
- (c) *Interim Order (I) Authorizing the Debtors to (A) Pay Prepetition Employee Wages, Salaries, Other Compensation, and Reimbursable Employee Expenses and (B) Continue Employee Benefits Programs and (II) Granting Related Relief* (the “**Interim Employee Wages Order**”);
- (d) *Interim Order (I) Authorizing the Debtors to (A) Continue to Operate Their Cash Management System, (B) Honor Certain Prepetition Obligations Related Thereto, (C) Maintain Existing Business Forms, and (D) Continue to Perform Intercompany Transactions, and (II) Granting Related Relief* (the “**Interim Cash Management Order**”);
- (e) *Interim Order (A) Authorizing the Debtors to Obtain Postpetition Financing, (B) Authorizing the Debtors to Use Cash Collateral, (C) Granting Liens and Providing Superpriority Administrative Expense Status, (D) Granting Adequate Protection to the Prepetition Lenders, (E) Modifying the Automatic Stay, (F) Scheduling a Final Hearing, and (G) Granting Related Relief* (the “**Interim DIP Order**”);
- (f) *Interim Order (I) Authorizing the Debtors to Pay Prepetition Claims of (A) Lien Claimants, (B) Import Claimant, (C) 503(B)(9) Claimants, (D) Foreign Vendors, and (E) Critical Vendors, (II) Confirming Administrative Expense Priority of Outstanding Orders, and (III) Granting Related Relief* (the “**Interim Critical Vendors and Shippers Order**”); and

- (g) *Interim Order (A) Authorizing the Debtors to Maintain and Administer Their Existing Customer Programs and Honor Certain Prepetition Obligations Related Thereto and (B) Granting Related Relief* (the “**Interim Customer Programs Order**”)

(copies of each such Foreign Orders are attached as Schedules “A” to “G” hereto);

provided, however, that in the event of any conflict between the terms of the Foreign Orders and the Orders of this Court made in the within proceedings, the Orders of this Court shall govern with respect to Property (as defined below) in Canada.

#### **APPOINTMENT OF INFORMATION OFFICER**

5. **THIS COURT ORDERS** that KSV Kofman Inc. (the “**Information Officer**”) is hereby appointed as an officer of this Court, with the powers and duties set out herein.

#### **NO PROCEEDINGS AGAINST THE CHAPTER 11 DEBTORS OR THE PROPERTY**

6. **THIS COURT ORDERS** that from the date of the Recognition Order until such date as this Court may order (the “**Stay Period**”) no proceeding or enforcement process in any court or tribunal in Canada (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the Chapter 11 Debtors or affecting their business (the “**Business**”) or their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”), except with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Chapter 11 Debtors or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

7. **THIS COURT ORDERS** that, without limiting the stay of proceedings provided for in the Recognition Order, during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the Chapter 11 Debtors, or

affecting the Business or the Property, are hereby stayed and suspended except with leave of this Court, provided that nothing in this Order shall (a) prevent the assertion of or the exercise of rights and remedies outside of Canada, (b) empower any of the Chapter 11 Debtors to carry on any business in Canada which that Chapter 11 Debtor is not lawfully entitled to carry on, (c) affect such investigations or Proceedings by a regulatory body as are permitted by section 11.1 of the CCAA, (d) prevent the filing of any registration to preserve or perfect a security interest, or (e) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

8. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any of the Chapter 11 Debtors and affecting the Business in Canada, except with leave of this Court.

#### **ADDITIONAL PROTECTIONS**

9. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Chapter 11 Debtors or statutory or regulatory mandates for the supply of goods and/or services in Canada, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services provided in respect of the Property or Business of the Chapter 11 Debtors, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Chapter 11 Debtors, and that the Chapter 11 Debtors shall be entitled to the continued use in Canada of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names.

10. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Chapter 11 Debtors with respect to any claim against the directors or officers that arose before the date of the Recognition Order and that relates to any obligations of the Chapter 11 Debtors whereby the directors or officers are alleged

under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.

11. **THIS COURT ORDERS** that no Proceeding shall be commenced or continued against or in respect of the Information Officer, except with leave of this Court. In addition to the rights and protections afforded the Information Officer herein, or as an officer of this Court, the Information Officer shall have the benefit of all of the rights and protections afforded to a Monitor under the CCAA, and shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.

#### **OTHER PROVISIONS RELATING TO INFORMATION OFFICER**

12. **THIS COURT ORDERS** that the Information Officer:

- (a) is hereby authorized to provide such assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request;
- (b) shall report to this Court periodically with respect to the status of these proceedings and the status of the Foreign Proceeding, which reports may include information relating to the Property, the Business, or such other matters as may be relevant to the proceedings herein;
- (c) in addition to the periodic reports referred to in paragraph 12(b) above, the Information Officer may report to this Court at such other times and intervals as the Information Officer may deem appropriate with respect to any of the matters referred to in paragraph 12(b) above;
- (d) shall have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Chapter 11 Debtors, to the extent that is necessary to perform its duties arising under this Order; and

- (e) shall be at liberty to engage independent legal counsel or such other persons as the Information Officer deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order.

13. **THIS COURT ORDERS** that the Chapter 11 Debtors and the Foreign Representative shall (a) advise the Information Officer of all material steps taken by the Chapter 11 Debtors or the Foreign Representative in these proceedings or in the Foreign Proceeding, (b) co-operate fully with the Information Officer in the exercise of its powers and discharge of its obligations, and (c) provide the Information Officer with the assistance that is necessary to enable the Information Officer to adequately carry out its functions.

14. **THIS COURT ORDERS** that the Information Officer shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

15. **THIS COURT ORDERS** that the Information Officer (a) shall post on its website all Orders of this Court made in these proceedings, all reports of the Information Officer filed herein, and such other materials as this Court may order from time to time, and (b) may post on its website any other materials that the Information Officer deems appropriate.

16. **THIS COURT ORDERS** that the Information Officer may provide any creditor of a Chapter 11 Debtor with information provided by the Chapter 11 Debtors in response to reasonable requests for information made in writing by such creditor addressed to the Information Officer. The Information Officer shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Information Officer has been advised by the Chapter 11 Debtors is privileged or confidential, the Information Officer shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Information Officer, the Foreign Representative and the relevant Chapter 11 Debtors may agree.

17. **THIS COURT ORDERS** that the Information Officer and counsel to the Information Officer shall be paid by the Chapter 11 Debtors their reasonable fees and disbursements incurred

in respect of these proceedings, both before and after the making of this Order, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts. The Chapter 11 Debtors are hereby authorized and directed to pay the accounts of the Information Officer and counsel for the Information Officer.

18. **THIS COURT ORDERS** that the Information Officer and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Information Officer and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice, and the accounts of the Information Officer and its counsel shall not be subject to approval in the Foreign Proceeding.

19. **THIS COURT ORDERS** that the Information Officer and counsel to the Information Officer shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property in Canada, which charge shall not exceed an aggregate amount of US\$200,000 as security for their professional fees and disbursements incurred in respect of these proceedings, both before and after the making of this Order. The Administration Charge shall have the priority set out in paragraphs 21 through 26 hereof.

#### **INTERIM FINANCING**

20. **THIS COURT ORDERS** that the DIP ABL Agent, for and on behalf of itself and the DIP ABL Lenders, shall be entitled to the benefit of and is hereby granted a charge (the “**DIP ABL Charge**”) on the Property in Canada, which DIP ABL Charge shall be consistent with the liens and charges created by the Interim DIP Order with respect to the Property in Canada, shall have the priority set out in paragraphs 21 through 26 hereof, and further provided that the DIP ABL Charge shall not be enforced except with leave of this Court on notice to the Information Officer and those parties on the service list established for these proceedings.



## **VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

21. **THIS COURT ORDERS** that the priorities of the Administration Charge and the DIP ABL Charge, as among them, shall be as follows:

- (a) First – Administration Charge (to the maximum amount of US\$200,000); and
- (b) Second – DIP ABL Charge.

22. **THIS COURT ORDERS** that the filing, registration or perfection of the Administration Charge or the DIP ABL Charge (collectively, the “**Charges**”) shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect the Charges.

23. **THIS COURT ORDERS** that the Charges (as constituted and defined herein) shall constitute a charge on the Property in Canada and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, “**Encumbrances**”) in favour of any Person.

24. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Chapter 11 Debtors shall not grant any Encumbrances over any Property in Canada that rank in priority to, or *pari passu* with, the Charges, unless the Chapter 11 Debtors also obtain the prior written consent of the Information Officer, the DIP ABL Agent and the DIP Term Loan Agent.

25. **THIS COURT ORDERS** that the Administration Charge and the DIP ABL Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the “**Chargees**”) shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3 (the “**BIA**”), or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative

covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds any Chapter 11 Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (i) the creation of the Charges shall not create or be deemed to constitute a breach by a Chapter 11 Debtor of any Agreement to which it is a party;
- (ii) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (iii) the payments made by the Chapter 11 Debtors to the Chargees pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

26. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the applicable Chapter 11 Debtors’ interest in such real property leases.

#### **ASSET SALES**

27. **THIS COURT ORDERS** that, notwithstanding paragraph 5 of the Recognition Order, Hollander Canada shall be permitted, with the prior consent of the Information Officer, to sell or otherwise dispose of its fixed assets located in Toronto, Ontario, solely to the extent permitted by the DIP ABL Credit Agreement in an amount not to exceed US\$250,000 in the aggregate, without seeking leave of this Court.

#### **SERVICE AND NOTICE**

28. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the “**Protocol**”) is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute

an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: <https://www.ksvadvisory.com/insolvency-cases/case/hollander-sleep-products-canada-limited>.

29. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Chapter 11 Debtors, the Foreign Representative and the Information Officer are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Chapter 11 Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the applicable Chapter 11 Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **SEALING**

30. **THIS COURT ORDERS** that Confidential Appendix "1" to the Pre-Filing Report shall be and is hereby sealed, kept confidential and shall not form part of the public record pending further Order of this Court.

#### **GENERAL**

31. **THIS COURT ORDERS** that the Information Officer may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

32. **THIS COURT ORDERS** that nothing in this Order shall prevent the Information Officer from acting as an interim receiver, a receiver, a receiver and manager, a monitor, a proposal trustee, or a trustee in bankruptcy of any Chapter 11 Debtor, the Business or the Property.

33. **THIS COURT ORDERS** that within five (5) business days from the date of this Order, or as soon as practicable thereafter, the Information Officer shall cause to be published a notice once a week for two consecutive weeks, in the Globe and Mail (National Edition) regarding the issuance of this Order and the Recognition Order.

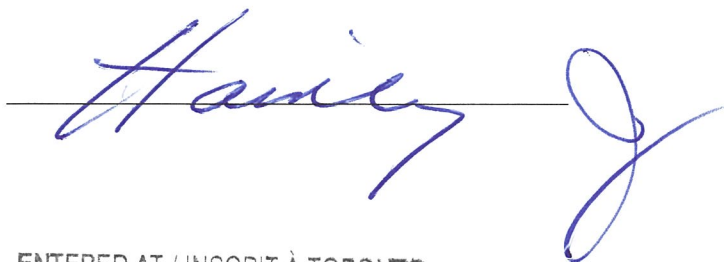
34. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States of America, to give effect to this Order and to assist the Chapter 11 Debtors, the Foreign Representative, the Information Officer, and their respective counsel and agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Chapter 11 Debtors, the Foreign Representative and the Information Officer, the latter as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Chapter 11 Debtors, the Foreign Representative, the Information Officer, and their respective counsel and agents in carrying out the terms of this Order.

35. **THIS COURT ORDERS** that each of the Chapter 11 Debtors, the Foreign Representative and the Information Officer be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

36. **THIS COURT ORDERS** that the Guidelines for Communication and Cooperation between Courts in Cross-Border Insolvency Matters issued by the Judicial Insolvency Network and adopted by this Court and the U.S. Bankruptcy Court and attached as Schedule "H" hereto (the "**JIN Guidelines**"), are hereby adopted by this Court for the purposes of these recognition proceedings.

37. **THIS COURT ORDERS** that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days' notice to the Chapter 11 Debtors, the Foreign Representative, the Information Officer, the DIP ABL Agent, the DIP Term Loan Agent and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

38. **THIS COURT ORDERS** that this Order shall be effective as of 12:01 a.m. Eastern Standard Time on the date of this Order.

A handwritten signature in blue ink, appearing to read "Hamley", is written over a horizontal line. The signature is stylized and extends to the right of the line.

ENTERED AT / INSCRIT À TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO:

MAY 24 2019

PER / PAR: The text "PER / PAR:" is followed by handwritten initials in blue ink, which appear to be "a".

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, C. C-36, AS AMENDED

Court File No: CV-19-620484-00CL

AND IN THE MATTER OF HOLLANDER SLEEP PRODUCTS, LLC, HOLLANDER SLEEP PRODUCTS CANADA LIMITED, DREAM II HOLDINGS, LLC, HOLLANDER HOME FASHIONS HOLDINGS, LLC, PACIFIC COAST FEATHER, LLC, HOLLANDER SLEEP PRODUCTS KENTUCKY, LLC AND PACIFIC COAST FEATHER CUSHION, LLC

APPLICATION OF HOLLANDER SLEEP PRODUCTS, LLC UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

Applicant

*Ontario*  
**SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**  
Proceeding commenced at Toronto

**SUPPLEMENTAL ORDER  
(FOREIGN MAIN PROCEEDING)**

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Lawyers for the Applicant

## **Appendix “C”**



**Report of  
KSV Kofman Inc. as  
Proposed Information Officer of  
Hollander Sleep Products, LLC,  
Hollander Sleep Products Canada Limited,  
Dream II Holdings, LLC,  
Hollander Home Fashions Holdings, LLC,  
Pacific Coast Feather, LLC,  
Hollander Sleep Products Kentucky, LLC  
and Pacific Coast Feather Cushion, LLC**

**May 23, 2019**



## Contents

	Page
1.0 Introduction.....	1
1.1 Purposes of this Report.....	2
1.2 Currency .....	3
1.3 Restrictions .....	3
1.4 KSV's Qualifications to Act as Information Officer .....	3
2.0 Background .....	4
3.0 The Canadian Debtor .....	5
3.1 Financial Overview.....	6
3.2 Creditor Composition .....	7
3.3 Liquidation Analysis .....	8
4.0 First Day Orders .....	9
5.0 The DIP ABL Facility.....	10
5.1 Security Opinion.....	14
6.0 Court Ordered Charges .....	14
7.0 The Plan .....	14
8.0 Conclusion and Recommendation .....	16

## Appendices

Appendix	Tab
Consent to Act of KSV Kofman Inc. ....	A
DIP Summary Schedule .....	B
<b>Confidential Appendix</b>	<b>Tab</b>
Liquidation Analysis.....	1



COURT FILE NO.: CV-19-620484-00CL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF HOLLANDER SLEEP PRODUCTS, LLC,  
HOLLANDER SLEEP PRODUCTS CANADA LIMITED, DREAM II HOLDINGS, LLC,  
HOLLANDER HOME FASHIONS HOLDINGS, LLC, PACIFIC COAST FEATHER, LLC,  
HOLLANDER SLEEP PRODUCTS KENTUCKY, LLC AND  
PACIFIC COAST FEATHER CUSHION, LLC

APPLICATION OF HOLLANDER SLEEP PRODUCTS, LLC UNDER SECTION 46 OF THE  
*COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

REPORT OF KSV KOFMAN INC.  
AS PROPOSED INFORMATION OFFICER

MAY 23, 2019

## 1.0 Introduction

1. On May 19, 2019, Hollander Sleep Products, LLC (the "Foreign Representative"), Dream II Holdings, LLC, Hollander Home Fashions Holdings, LLC, Pacific Coast Feather, LLC, Hollander Sleep Products Kentucky, LLC, Pacific Coast Feather Cushion, LLC (collectively, the "US Debtors") and Hollander Sleep Products Canada Limited (the "Canadian Debtor" and together with the US Debtors, the "Chapter 11 Debtors"), commenced proceedings by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York (the "US Court") (the "Chapter 11 Proceedings").
2. The purpose of the Chapter 11 Proceedings and the proposed Canadian recognition proceeding is to provide a stabilized environment for the Chapter 11 Debtors to continue to operate in the normal course while they implement their restructuring plan, including a US Court supervised sale process ("Sale Process") carried out by the Chapter 11 Debtors and their investment banker, Houlihan Lokey Capital, Inc. ("Houlihan").
3. On May 21, 2019, the US Court heard the Chapter 11 Debtors' first day motions and granted numerous orders (collectively, the "First Day Orders").

4. At this time, the Foreign Representative is making an application to the Ontario Superior Court of Justice (Commercial List) (the “Ontario Court”) for recognition of the Chapter 11 Proceedings under Part IV of the *Companies’ Creditors Arrangement Act* (“CCAA”) pursuant to two proposed orders (jointly, the “Recognition Orders”):
  - a) the initial recognition order which, *inter alia*, recognizes the Chapter 11 Proceedings as a “foreign main proceeding” and recognizes the Foreign Representative as the “foreign representative”, as defined in section 45 of the CCAA, and stays all proceedings against the Chapter 11 Debtors; and
  - b) the supplemental order which, *inter alia*, appoints KSV Kofman Inc. (“KSV”) as Information Officer, recognizes the First Day Orders issued by the US Court in the Chapter 11 Proceedings, grants certain stays as set out therein and grants the Administration Charge and the DIP ABL Charge (as defined in the Recognition Orders).
5. This report (“Report”) is filed by KSV in its capacity as proposed Information Officer (the “Information Officer”) in the Canadian recognition proceedings.

## 1.1 Purposes of this Report

1. The purposes of this Report are to:
  - a) provide KSV’s qualifications to act as Information Officer;
  - b) provide background information about the Chapter 11 Debtors and the Chapter 11 Proceedings, including a summary of the First Day Orders for which Ontario Court recognition is being sought;
  - c) provide the proposed Information Officer’s commentary on the reasonableness of the \$90 million debtor-in-possession asset based lending credit facility among the Chapter 11 Debtors and Wells Fargo Bank, National Association (the “DIP ABL Agent”), as agent for and on behalf of itself and other lenders (collectively, the “DIP ABL Lenders”) (the “DIP ABL Facility”);
  - d) summarize the potential implications of the Chapter 11 Proceedings, particularly the DIP ABL Facility, on the Canadian Debtor’s stakeholders, including by considering the results of a liquidation analysis of the Canadian Debtor’s business assets (the “Liquidation Analysis”);
  - e) provide the basis on which the proposed Information Officer believes the Liquidation Analysis should be sealed pending further order of the Ontario Court;
  - f) summarize the rationale for the proposed Administration Charge and DIP ABL Charge;

- g) provide an overview of the Chapter 11 Debtors' Joint Plan of Reorganization (the "Plan"); and
- h) recommend that the Ontario Court grant the relief being sought by the Foreign Representative.

## 1.2 Currency

1. All currency references in this Report are to US dollars, unless otherwise noted.

## 1.3 Restrictions

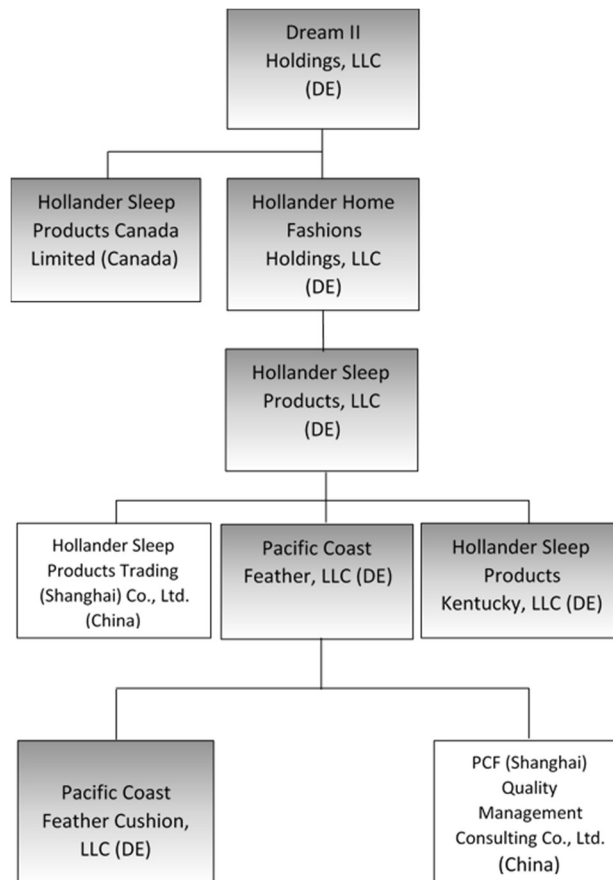
1. In preparing this Report, the proposed Information Officer has relied upon unaudited financial information prepared by the Chapter 11 Debtors' financial advisor, the Chapter 11 Debtors' books and records, including those of the Canadian Debtor, and discussions with the Chapter 11 Debtors' Canadian legal counsel and financial advisor.
2. The proposed Information Officer has not performed an audit or other verification of such information. An examination of the Chapter 11 Debtors' financial forecasts as outlined in the *Chartered Professional Accountants of Canada Handbook* has not been performed. Future oriented financial information relied upon in this Report is based on the Chapter 11 Debtors' assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. The proposed Information Officer expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Report or relied upon by the proposed Information Officer in its preparation of this Report.

## 1.4 KSV's Qualifications to Act as Information Officer

1. KSV is qualified to act as Information Officer. KSV's qualifications include:
  - a) KSV is a trustee within the meaning of subsection 2(1) of the *Bankruptcy and Insolvency Act* (Canada). KSV is not subject to any of the restrictions to act as set out in Section 11.7(2) of the CCAA; and
  - b) KSV has extensive experience acting as Information Officer under Part IV of the CCAA in a wide variety of industries.
2. On May 16, 2019, KSV was engaged by the Canadian Debtor to assist to prepare for these proceedings. KSV's engagement letter contemplates that "*in the event the Company files for protection and KSV is appointed as Information Officer, this engagement shall terminate immediately prior to the commencement of those proceedings. In such circumstances, KSV's duties and obligations as Information Officer will be as set out in the order commencing the proceedings, as well as by statute, and KSV would from that date forward be acting as an officer of the court.*"
3. KSV has consented to act as Information Officer in these proceedings should the Ontario Court grant the Recognition Orders. A copy of KSV's consent to act as Information Officer is attached as Appendix "A".

## 2.0 Background

1. Since their inception in 1953, the Chapter 11 Debtors have grown into a leader in the bedding products market, manufacturing pillows, comforters, mattress pads and other bedding products. The Chapter 11 Debtors produce bedding items for well-known brands, including Ralph Lauren®, Simmons®, Beautyrest®, Nautica® and Waverly®.
2. The Chapter 11 Debtors partner with major retailers and hotel chains, including long-standing relationships with, among others, Target, Kohl's, Costco, Walmart, Hudson's Bay and Marriott. The Chapter 11 Debtors' net revenue for their fiscal year ended December 31, 2018 was approximately \$527 million, of which the Canadian Debtor comprised approximately \$51 million.
3. The Chapter 11 Debtors' ultimate shareholder is Sentinel Capital Partners, LLC ("Sentinel"), a US private equity firm which made its acquisition in October, 2014. The corporate organization chart is provided below (the shaded entities represent the Chapter 11 Debtors).



4. The Chapter 11 Debtors operate thirteen manufacturing facilities in North America, including two Canadian manufacturing facilities (in Toronto and Montreal) from which they assemble raw materials sourced primarily from China, India, Pakistan, Indonesia, South Korea, Vietnam, Malaysia and the United Arab Emirates, into finished products.

5. The Chapter 11 Debtors employ approximately 2,370 employees, of which approximately 240 are employees of the Canadian Debtor. All but four of the Canadian Debtor's employees work at its manufacturing facilities in Montreal and Toronto, while the remainder of the employees work from its sales office in Toronto. The Canadian Debtor's workforce is not unionized and the Canadian Debtor does not maintain any registered pension plans (but it does provide a group RRSP plan).
6. The Chapter 11 Proceedings and the Plan are the result of lengthy negotiations among the Chapter 11 Debtors and their principal secured lenders, being:
  - a) the prepetition ABL agent (i.e. the same party as the DIP ABL Agent), for and on behalf of the prepetition ABL lenders (i.e. the same parties as the DIP ABL Lenders) (collectively, the "Prepetition ABL Lenders"), who are owed approximately \$71 million under a \$125 million ABL facility (the "Prepetition ABL Facility");
  - b) Sentinel, which recently injected \$15 million as the "last-out" component of the Prepetition ABL Facility; and
  - c) a group of term loan lenders represented by Barings Finance LLC, as agent (collectively, the "Term Loan Lenders"), who are owed approximately \$167 million under a \$190 million term loan facility (the "Term Loan Facility").
7. Further information concerning the Chapter 11 Debtors' background, financial position, corporate structure and the reasons the Chapter 11 Debtors require creditor protection to implement their restructuring plan are provided in the Declaration of Marc Pfefferle, the Chief Executive Officer of Dream II Holdings, LLC, sworn May 19, 2019 (the "Pfefferle Declaration"), which is appended to Mr. Pfefferle's Affidavit sworn May 23, 2019 in support of the Foreign Representative's application to the Ontario Court (the "Pfefferle Affidavit").

### **3.0 The Canadian Debtor**

1. The Pfefferle Affidavit sets out the Chapter 11 Debtors' connections to Canada, the integrated nature and reliance of the Canadian Debtor on its US affiliates and the overall basis for the centre of main interest ("COMI") of the Canadian Debtor, being the US. Accordingly, the Canadian Debtor's COMI attributes are not repeated herein.

### 3.1 Financial Overview

1. A summary of the Canadian Debtor's unaudited<sup>1</sup> financial results for its fiscal year ended December 31, 2018 and four-month period ended April 30, 2019 is provided in the table below.

(unaudited; US\$000s;)	Four months ended	
	April 30, 2019	December 31, 2018
Gross revenue	16,242	61,229
Royalties and allowances	(1,805)	(10,394)
Cost of goods sold	(13,709)	(47,874)
Gross profit	728	2,961
Operating expenses	(344)	(4,137)
Interest, taxes, foreign exchange and other	(290)	(1,423)
Net Income / (Loss)	94	(2,599)

2. The above table reflects that, *inter alia*:
  - a) the Canadian Debtor incurred a net loss in its most recent fiscal year ended December 31, 2018 of approximately \$2.6 million after allocation of selling, general and administrative expenses, including royalties and procurement fees, incurred by the US Debtors and allocated across the manufacturing facilities for which they provide these and other shared services (the "US Shared Services");
  - b) the US Debtors allocate approximately \$600,000 per month to the Canadian Debtor, representing approximately 6% of the total costs of US Shared Services incurred by the US Debtors on an annual basis; and
  - c) year-to-date results do not reflect any allocation of US Shared Services given that this allocation is typically performed at year-end. The adjusted year-to-date results would reflect a loss of approximately \$2.3 million after allocation of US Shared Services. Accordingly, the Canadian Debtor's operational losses have increased significantly in fiscal 2019. This increase is partly due to the seasonality of the business as its busy season is in the upcoming "back to school" season.

<sup>1</sup> The Canadian Debtor's standalone financial statements are not audited - they are consolidated with the US Debtors' audited financial statements.

3. The Canadian Debtor's most recent unaudited balance sheet as at April 30, 2019 is provided in the table below.

(unaudited; US\$000s)	April 30, 2019
Accounts receivable	3,642
Inventory	12,955
Prepaid expenses and other	240
Total current assets	16,837
Property and equipment	1,161
Advances to US Debtors	8,300
Total Assets	26,298
Bank indebtedness under Prepetition ABL Facility	5,945
Accounts payable and accrued liabilities	9,928
Total current liabilities	15,873
Shareholder's equity	10,425
Total Liabilities and Equity	26,298

4. The April 30, 2019 balance sheet reflects that, *inter alia*:
- a) the Canadian Debtor does not have sufficient liquidity to normalize its trade payables, which are significantly aged. (As at May 10, 2019, approximately \$7.2 million of accounts payable is past due as detailed in Section 3.2.3 of this Report); and
  - b) if the amount owing from the US Debtors (\$8.3 million) was written down to its realizable value and the Canadian Debtor's allocation of US Shared Services was recorded for the four months ended April 30, 2019 (\$2.4 million), the Canadian Debtor's shareholder's equity would be entirely eroded.
5. If appointed, the proposed Information Officer intends to review the transaction(s) that gave rise to the intercompany balance of \$8.3 million owing from the US Debtors to the Canadian Debtor as at April 30, 2019 and the allocation methodology for the US Shared Services. The results of that review will be provided in a subsequent report to be filed with the Ontario Court. As detailed in Section 5 of this Report, any post-filing intercompany advances made by the Canadian Debtor to the US Debtors under the DIP ABL Facility will be made on a secured basis pursuant to a Court-ordered priority administrative expense claim granted in the Chapter 11 Proceedings, for which the Canadian Debtor seeks recognition in Canada.

### 3.2 Creditor Composition

1. Based on the Canadian Debtor's books and records, the indebtedness owing by the Canadian Debtor under the Prepetition ABL Facility (approximately \$6 million as at April 30, 2019) represents the only secured claim against the Canadian Debtor.
2. The Canadian Debtor is not a guarantor of the US Debtors' indebtedness under the Prepetition ABL Facility nor is it a borrower or guarantor under the US Debtors' Term Loan Facility.



- The unsecured creditors of the Canadian Debtor are largely its offshore inventory suppliers, who are presently owed approximately \$9 million. The aging of accounts payable as at May 10, 2019 is reflected in the table below.

(US\$000s; unaudited) Supplier	Current	1 – 30 Days Past Due	31 – 60 Days Past Due	Over 60 Days Past Due	Total
Cixi Jiangnan Chemical Fiber	136	482	316	306	1,240
Funing Jincheng Home Textile Co., Ltd.	174	-	882	11	1,067
Zhejiang Liuqiao Industrial Co., Ltd.	-	529	-	191	720
Donfoam Inc.	315	249	27	-	591
Wuxi Jielong Textile Co., Ltd	97	221	247	-	565
Other (148 creditors)	1,070	1,331	1,601	767	4,766
Total	1,792	2,812	3,073	1,275	8,952
% of total	20.1%	31.4%	34.3%	14.2%	100%

- All but seven of the Canadian Debtor's inventory suppliers (owed approximately \$513,000 in total) also supply to the US Debtors and, accordingly, substantially all suppliers and creditors of the Canadian Debtor are also suppliers and creditors of the US Debtors.
- The proposed Information Officer understands that the Canadian Debtor has not paid rent for May, 2019 to the landlords of its Toronto and Montreal manufacturing facilities and its sales office. Monthly rent totals approximately \$129,000. Subject to any extension, the lease for the Toronto manufacturing facility is scheduled to expire on July 21, 2019 and the lease for the Montreal manufacturing facility is scheduled to expire on May 31, 2023.

### 3.3 Liquidation Analysis

- Immediately upon its engagement, the proposed Information Officer's focus was on the potential impact of the Chapter 11 Proceedings, particularly the DIP ABL Facility and the proposed Plan, on the unsecured creditors of the Canadian Debtor.
- The proposed Information Officer prepared the Liquidation Analysis to estimate what recovery may be available to unsecured creditors of the Canadian Debtor if it did not participate in the Chapter 11 Proceedings, in which case the operations of the Canadian Debtor would immediately be discontinued given that it does not have the liquidity nor the infrastructure to operate on a standalone basis at this time.
- Subject to the assumptions underlying the Liquidation Analysis, as detailed therein, there would be a nominal recovery, if any, available for the Canadian Debtor's unsecured creditors in a liquidation or shutdown scenario. A copy of the Liquidation Analysis is attached as Confidential Appendix "1".

4. The proposed Information Officer recommends that the Liquidation Analysis be filed with the Ontario Court on a confidential basis and remain sealed pending further order of the Ontario Court as the availability of such information may negatively impact the Sale Process that will be undertaken in the context of the Chapter 11 Proceedings, including for the business and assets of the Canadian Debtor. In addition, the proposed Information Officer does not believe that any stakeholder will be prejudiced if the Liquidation Analysis is sealed. Keeping this information sealed pending further order of the Ontario Court is consistent with value maximization and in the best interest of the Canadian Debtor's stakeholders.

## 4.0 First Day Orders

1. The Foreign Representative is seeking recognition of the following First Day Orders by the Ontario Court:
  - a) Foreign Representative Order;
  - b) Joint Administration Order;
  - c) Employee Wages Order;
  - d) Cash Management Order;
  - e) Interim DIP Order;
  - f) Critical Vendors and Shippers Order; and
  - g) Customer Programs Order.
2. The Pfefferle Declaration and the Pfefferle Affidavit provide further background in support of each First Day Order. The proposed Information Officer has reviewed the First Day Orders and the related motions and discussed the rationale for them, particularly as it relates to the Canadian Debtor, with Canadian counsel to the Foreign Representative.
3. The First Day Orders are consistent with the integrated nature of the Chapter 11 Debtors' operations in the US and Canada, and in particular:
  - a) the Foreign Representative Order authorizes the Foreign Representative to act as the "foreign representative" under the CCAA in order to seek the relief sought in its application;
  - b) the Joint Administration Order authorizes the joint administration of the various Chapter 11 cases filed by the Chapter 11 Debtors and related procedural relief;
  - c) the Employee Wages Order permits the payment of pre-filing wages and employee benefits (if any) in the US and Canada, as well as remittance of payroll deductions and taxes (if any);

- d) the Cash Management Order provides for the ongoing use of an integrated network of bank accounts and cash management system in both the US and Canada and permits intercompany advances;
  - e) the Interim DIP Order authorizes the advances under the DIP ABL Facility and DIP Term Loan Facility (defined below) to be used to finance the integrated operations of the Chapter 11 Debtors for working capital, general corporate purposes and their US and Canadian restructuring proceedings and contemplates that advances under the DIP ABL Facility would be secured by a super-priority charge in both the US and Canada whereas advances under the Term Loan Facility would be secured by a super-priority charge in the US only. The attributes and reasonableness of the DIP ABL Facility (from the perspective of creditors of the Canadian Debtor) are summarized in Section 5 of this Report;
  - f) the Critical Vendors and Shippers Order permits the payment of prepetition amounts to critical third-party vendors; and
  - g) the Customer Programs Order authorizes the continuation, in the discretion of the Chapter 11 Debtors, of various customer programs, including markdown allowances, discounts, returns and cooperative marketing programs. This is required to maintain customer loyalty and goodwill throughout the Chapter 11 Proceedings.
4. The proposed Information Officer notes that the creditors of the Canadian Debtor are proposed to receive the same treatment as creditors of the US Debtors in the First Day Orders, including ascribing “administrative claim” status for post-filing goods or services provided to the Chapter 11 Debtors during the Chapter 11 Proceedings.
  5. The Chapter 11 Debtors anticipate bringing further motions before the US Court in the coming weeks for the approval of additional orders, including an order setting forth the bidding procedures in connection with the Sale Process.

## 5.0 The DIP ABL Facility<sup>2</sup>

1. As set out in the Pfefferle Declaration and the Pfefferle Affidavit, the Chapter 11 Debtors, including the Canadian Debtor, require financing during the Chapter 11 Proceedings to provide the necessary liquidity to maintain their business, preserve the value of their assets for all stakeholders and for the Chapter 11 Debtors, with the assistance of Houlihan, to conduct the Sale Process.
2. Based on the Pfefferle Declaration and Pfefferle Affidavit, there are no other viable funding options available to the Chapter 11 Debtors except for the DIP ABL Facility with the existing Prepetition ABL Lenders, and the DIP Term Loan Facility with the existing Term Loan Lenders. The Canadian Debtor is not a borrower or guarantor under the DIP Term Loan Facility and, accordingly, the Recognition Orders do not contemplate any charges or approvals in respect thereof.

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<sup>2</sup> Capitalized terms not otherwise defined in this section of the Report are as defined in the DIP ABL Facility.

3. Included in the First Day Orders is the Interim DIP Order approving, among other things, the DIP ABL Facility. The granting of the DIP ABL Charge and recognition of the Interim DIP Order are conditions precedent to the Canadian Debtor drawing on the DIP ABL Facility.
4. A copy of the DIP ABL Facility is appended to the Foreign Representative's application materials and summarized in the Pfefferle Affidavit. A summary of the key attributes of the DIP ABL Facility is provided in the table below.

<b>US Borrowers</b>	The US Debtors other than Dream II Holdings LLC
<b>Canadian Borrower</b>	Hollander Sleep Products Canada Limited
<b>Guarantor</b>	Dream II Holdings, LLC
<b>Nature of Liability</b>	Canadian Debtor and US Debtors are to be jointly and severally liable for their respective obligations under the DIP ABL Facility
<b>Postpetition Lenders</b>	The DIP ABL Lenders, being the same parties as the Prepetition ABL Lenders
<b>Postpetition Agent</b>	Wells Fargo Bank, National Association
<b>Commitment</b>	up to \$90 million; Canadian Debtor sublimit of \$20 million
<b>Interest Rate</b>	Base Rate plus 2% for certain advances or LIBOR plus 4% on others (the DIP Budget contemplates an effective interest rate of 6.5%)
<b>Expenses and Fees</b>	Closing fee of \$1.35 million (1.5% of committed amount)
<b>Budget</b>	The Chapter 11 Debtors must operate in accordance with the DIP Budget

5. In assessing the reasonableness of the DIP ABL Facility and the proposed recognition of the Interim DIP Order, the proposed Information Officer was cognizant that the DIP ABL Facility potentially increases the liability of the Canadian Debtor relative to the Prepetition ABL Facility. While it is a borrower under the Prepetition ABL Facility, the Canadian Debtor is not a guarantor of, nor is it jointly or severally liable for, the US Debtors' obligations under the Prepetition ABL Facility (approximately \$65 million). The DIP ABL Facility, on the other hand, contemplates that the Canadian Debtor would be liable, on a joint and several basis, for the US Debtors' obligations, which, given the "roll up" nature of the DIP structure upon the issuance of the Final DIP Order, would include the US Debtors' prepetition obligations owing to the Prepetition ABL Lenders.
6. The proposed Information Officer was cognizant of concerns expressed by the Ontario Court in circumstances in which unencumbered Canadian assets are used as collateral for priming DIP obligations to benefit US operations. It is for this reason that the proposed Information Officer and the Chapter 11 Debtors carefully considered the needs of the Canadian Debtor, the alternatives available to it and the commercial terms of the DIP ABL Facility.

7. Immediately following its engagement on May 16, 2019, the proposed Information Officer and its legal counsel supported the Canadian Debtor's efforts to negotiate additional protections into the DIP ABL Facility and the Plan that would mitigate the potential implications of the DIP ABL Facility on the Canadian Debtor and its stakeholders. This was particularly important in this case given the Canadian Debtor's creditor composition, consisting largely of offshore vendors who may be unfamiliar with formal insolvency proceedings, priming charges and the like. There are no large creditor groups (such as unions, pensioners and/or landlords) who are commonly involved in these cases. Accordingly, the protective measures and provisions that were agreed to between the Chapter 11 Debtors and the DIP ABL Agent in the days leading up to the commencement of the Chapter 11 Proceedings include:
  - a) a "quasi-marshalling" concept, whereby the DIP ABL Agent is obligated to: (i) first recover on the US assets to satisfy the outstanding obligations of the US Debtors; (ii) similarly, first look to proceeds from the Canadian assets to satisfy the outstanding obligations of the Canadian Debtor; and (iii) with respect to the proceeds of the assets of the Canadian Debtor, only apply such proceeds to reduce the obligations of the US Debtors if the assets of the US Debtors have been exhausted; and
  - b) the Interim DIP Order ascribes priority in the form of a Court ordered administrative expense claim to any advances the Canadian Debtor makes under the DIP ABL Facility to the US Debtors during the Chapter 11 Proceedings. This priority item is referred to in the Interim DIP Order as the "Canadian Intercompany Super-priority Administrative Claim".<sup>3</sup>
8. In addition to the foregoing, the proposed Information Officer considered the following to assess the reasonableness of the DIP ABL Facility:
  - a) the results of the Liquidation Analysis, which not only reflects that there would be nominal recoveries, if any, available for creditors of the Canadian Debtor ranking subordinate to the Prepetition ABL Lenders, but would also result in:
    - i. the loss of employment for approximately 240 Canadian employees;
    - ii. the loss of a major supplier of bedding products to Canadian retailers in the midst of the upcoming "back to school" season;
    - iii. the loss of a customer for its offshore vendor base; and
    - iv. the loss of an opportunity for the Canadian Debtor to be marketed for sale by Houlihan in the Sale Process. In this regard, the proposed Information Officer ensured that the Sale Process does not preclude bids to be submitted and considered for the business and assets of the Canadian Debtor (i.e. as opposed to only soliciting interest from prospective purchasers interested in both US and Canada);

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<sup>3</sup> Pursuant to the Interim DIP Order, the Canadian Intercompany Super-priority Administrative Claim ranks junior to the DIP ABL Lenders and the Prepetition ABL Lenders but senior to the DIP Term Loan Lenders and the Term Loan Lenders on the ABL Priority Collateral and junior to the DIP Term Loan Lenders, the Term Loan Lenders, the DIP ABL Lenders and the Prepetition ABL Lenders on the Term Priority Collateral (as each such term is defined in the Interim DIP Order).

- b) the DIP Budget was prepared on a consolidated basis and as such, does not reflect on a standalone basis the projected funding requirements of the Canadian Debtor. The proposed Information Officer extracted from the DIP Budget an estimated cash flow forecast for the Canadian Debtor to understand its projected funding requirements during the Chapter 11 Proceedings. This analysis reflects that the Canadian Debtor is projected to generate negative cash flow until at least July 1, 2019. Absent draws being available under the DIP ABL Facility, the Canadian Debtor would not be able to continue to operate in the normal course and its operations would need to be immediately discontinued;
- c) there is no assumption in the DIP Budget or otherwise that further credit would be extended to the Canadian Debtor by its vendors. In this regard, the DIP Budget was premised on cash-on-delivery or cash-in-advance supply terms;
- d) based on the Pfefferle Declaration and the Pfefferle Affidavit, there are no other funding sources available to the Canadian Debtor except from the DIP ABL Lenders pursuant to the DIP ABL Facility;
- e) the extent to which the Canadian Debtor's operations are centrally managed, controlled by and integrated with the US Debtors;
- f) funding from the DIP ABL Facility is required to, among other things, maintain existing operations, pay employees, secure and insure the Chapter 11 Debtors' assets located in the US and Canada and fund these proceedings while Houlihan conducts the Sale Process. It appears that the value of the Canadian Debtor's assets and the success of the Sale Process would be jeopardized absent the DIP ABL Facility;
- g) KSV compared the pricing of the DIP ABL Facility (interest and fees, including the closing fee of \$1.35 million (being 1.5% of the committed amount)) to other DIP facilities approved by Canadian courts in CCAA proceedings in recent years. The comparison is attached as Appendix "B". Based on KSV's analysis, the cost of the proposed DIP ABL Facility is consistent with other recent DIP financings approved by Canadian courts;
- h) the DIP ABL Facility is the result of arm's-length negotiations between the Chapter 11 Debtors, the DIP ABL Agent and the DIP ABL Lenders. The proposed Information Officer understands that the DIP ABL Agent and the DIP ABL Lenders were not willing to provide the interim financing required to fund these cross-border insolvency proceedings other than on the terms and conditions of the DIP ABL Facility; and
- i) the DIP ABL Facility contemplates that the Chapter 11 Debtors' receipts will first be applied against outstanding amounts under the Prepetition ABL Facility and, upon issuance of a final order in respect of the Interim DIP Order, any amount outstanding under the Prepetition DIP Facility will be repaid with the proceeds of the DIP ABL Facility. Given this proposed "roll-up" treatment, the proposed Information Officer determined that an independent opinion on the validity and enforceability of the security held by the Prepetition ABL Lenders was required in the context of its review of the DIP ABL Facility. The results of the security opinion are discussed in Section 5.1 of this Report.

9. Based on the foregoing, the proposed Information Officer does not believe that any creditor with an economic interest in the Canadian Debtor's assets in a liquidation scenario will be materially prejudiced by the recognition of the Interim DIP Order and/or the granting of the DIP ABL Charge.

## 5.1 Security Opinion

1. In anticipation of these proceedings, KSV retained Norton Rose Fulbright Canada LLP ("Norton Rose") to act as its legal counsel in the event that the Recognition Orders are granted and KSV is appointed as Information Officer. Norton Rose provided an opinion<sup>4</sup> dated May 22, 2019 which, subject to the standard assumptions and qualifications contained therein, concludes that the security granted by the Canadian Debtor in favour of the Prepetition ABL Agent, as registered under the PPSA and at the Register of Personal and Movable Real Rights, creates a valid and perfected security interest and hypothec in the Canadian Debtor's assets situated in British Columbia, Ontario and Quebec, respectively.

## 6.0 Court Ordered Charges

1. In addition to the DIP ABL Charge, the proposed Recognition Orders contemplate an Administration Charge.
2. The Foreign Representative is seeking an Administration Charge in an amount not to exceed \$200,000 to secure the fees and expenses of the Information Officer and its counsel.
3. The Administration Charge is a customary provision in recognition orders under Part IV of the CCAA - it is required by certain of the professionals engaged to assist a debtor company and to protect those professionals in the event it is unable to pay their fees and costs during the insolvency process.
4. KSV believes that the quantum of the Administration Charge is reasonable and appropriate in the circumstances given the complexities of the cross-border proceedings and the services to be provided by the professionals involved.

## 7.0 The Plan

1. The Chapter 11 Debtors entered into a restructuring support agreement dated as of May 19, 2019 with the Term Loan Lenders and Sentinel (the "RSA"). The RSA contemplates the Plan, which the Chapter 11 Debtors have filed in the Chapter 11 Proceedings.

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<sup>4</sup> A copy of the security opinion will be made available to the Ontario Court should it wish to review it.

2. The details of the Plan and RSA are provided in the Pfefferle Declaration and the Pfefferle Affidavit and, accordingly, are not repeated herein. A summary of the key provisions vis-à-vis the Canadian Debtor and its stakeholders is as follows:
  - a) the Chapter 11 Debtors have secured an agreement to have the DIP Term Loan Facility converted into a \$58 million exit term loan facility upon emergence from the Chapter 11 Proceedings, which provides an additional \$30 million in incremental liquidity to fund go-forward operations;
  - b) the RSA contemplates that the Term Loan Lenders would convert their existing secured debt into equity pursuant to a credit bid. However, the Plan includes a sale “toggle” feature allowing for a potential sale to a third party which may result from the Sale Process to be carried out by the Chapter 11 Debtors and Houlihan. As noted above, Houlihan’s process will not preclude prospective purchasers from submitting bids for the Canadian Debtor’s business and assets on a standalone basis; and
  - c) given that the Canadian Debtor is not a borrower or guarantor under the Term Loan Facility, the Chapter 11 Debtors, the DIP ABL Agent and the DIP Term Loan Agent negotiated and incorporated certain protections into the Plan to consider the treatment of the Canadian Debtor’s creditors. In this regard, the Plan provides that:
    - i. if there is a sale to a third party, the Information Officer has consultation rights into the value allocation methodology that will be used to allocate the purchase price between the US Debtors and the Canadian Debtor; and
    - ii. if the winning bid is the transaction with the Term Loan Lenders contemplated by the RSA, there may be a “Canadian Acquisition Transaction”, pursuant to which the Term Loan Lenders may acquire the assets, undertakings and properties of the Canadian Debtor. In that scenario, the Canadian Acquisition Transaction shall be acceptable to the Chapter 11 Debtors, the required Term Loan Lenders and the Information Officer. In addition, any Canadian Acquisition Transaction will be subject to the approval of the Ontario Court.
3. At the conclusion of the Sale Process, the proposed Information Officer intends to file a report with the Ontario Court that will, *inter alia*:
  - a) comment on the reasonableness of the value allocation or the Canadian Acquisition Transaction, as the case may be; and
  - b) provide the Ontario Court with a recommendation thereon.



## 8.0 Conclusion and Recommendation

1. Based on the foregoing, the proposed Information Officer recommends that this Honourable Court grant the Recognition Orders sought by the Foreign Representative.

\* \* \*

All of which is respectfully submitted,

A handwritten signature in blue ink that reads "KSV Kofman Inc". The signature is written in a cursive, flowing style.

**KSV KOFMAN INC.**

**IN ITS CAPACITY AS PROPOSED INFORMATION OFFICER OF  
HOLLANDER SLEEP PRODUCTS, LLC, HOLLANDER SLEEP PRODUCTS CANADA  
LIMITED, DREAM II HOLDINGS, LLC, HOLLANDER HOME FASHIONS HOLDINGS, LLC,  
PACIFIC COAST FEATHER, LLC, HOLLANDER SLEEP PRODUCTS KENTUCKY, LLC AND  
PACIFIC COAST FEATHER CUSHION, LLC  
AND NOT IN ITS PERSONAL CAPACITY**

## **Appendix “D”**

Bradford J. Sandler, Esq.  
Shirley S. Cho, Esq.  
Beth E. Levine, Esq.  
PACHULSKI STANG ZIEHL & JONES LLP  
780 Third Avenue, 34<sup>th</sup> Floor  
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Telephone: (212) 561-7700  
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scho@pszjlaw.cocm  
blevine@pszjlaw.com

*Counsel to the Plan Administrator*

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

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	:	
<b>In re</b>	:	<b>Chapter 11</b>
	:	
<b>HSP LIQUIDATION, LLC, et al.,<sup>1</sup></b>	:	<b>Case No. 19-11608 (MEW)</b>
	:	
<b>Debtors.</b>	:	<b>Jointly Administered</b>
	:	
-----X		

**NOTICE OF OBJECTION TO FILED PROOFS OF CLAIM AND DEADLINE  
BY WHICH A RESPONSE MUST BE FILED WITH THE BANKRUPTCY COURT**

**PLEASE TAKE NOTICE THAT** Drivetrain, LLC, in its capacity as Plan Administrator (the “Plan Administrator”) acting on behalf of Hollander Sleep Products, LLC and its affiliated post-effective date debtors (collectively, the “Post-Effective Date Debtors” and before the Effective Date of the Plan, the “Debtors”),<sup>2</sup> is objecting to your Claim(s) by the attached objection (the “Objection”).

**YOU SHOULD LOCATE YOUR NAME AND YOUR CLAIM(S) ON THE SCHEDULES ATTACHED HERETO. PLEASE TAKE NOTICE THAT, AS A RESULT OF THE OBJECTION, YOUR CLAIM(S) MAY BE DISALLOWED, EXPUNGED, RECLASSIFIED, REDUCED, OR OTHERWISE AFFECTED. THEREFORE, PLEASE READ THIS NOTICE AND THE ACCOMPANYING OBJECTION VERY CAREFULLY AND DISCUSS THEM WITH YOUR**

<sup>1</sup> The Post-Effective Date Debtors in these chapter 11 cases, along with the last four digits of each Post-Effective Date Debtor’s federal tax identification number are: Dream II Holdings, LLC (7915); HHFH Liquidation, LLC (2063); HSP Liquidation, LLC (2143); PCF Liquidation, LLC (1445); HSPK Liquidation, LLC (4119); PCFC Liquidation, LLC (3119); and HSFC Liquidation Limited (3477).

<sup>2</sup> All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Objection.

**ATTORNEY. IF YOU DO NOT HAVE AN ATTORNEY, YOU MAY WISH TO CONSULT ONE.**

**Important Information Regarding the Objection**

Grounds for the Objection. By the Objection, the Plan Administrator is seeking to [disallow/expunge/reclassify/reduce] your Claim(s) listed in the schedules attached to the Objection, a copy of which has been provided with this notice.

Objection Procedures. On \_\_\_\_\_, 2019, the United States Bankruptcy Court for the Southern District of New York (the “Court”) entered an order [Docket No. \_\_\_\_] approving procedures for filing and resolving objection to Claims asserted against the Debtors in the chapter 11 cases (the “Objection Procedures”). *Please review the Objection Procedures to ensure your response to the Objection, if any, is timely and correctly filed and served.*

**Resolving the Objection**

Resolving the Objections. To facilitate the consensual resolution of the Objection, certain of the Plan Administrator’s personnel and advisors will be available to discuss and potentially resolve the Objection to disputed Claims without the need for filing a formal response or attending a hearing. To facilitate such a discussion, please contact Shirley S. Cho of Pachulski Stang Ziehl & Jones LLP, counsel to the Plan Administrator, by (i) emailing scho@pszjlaw.com or (ii) calling (310) 277-6910 within twenty (20) calendar days after the date of this notice. Please have your Proof(s) of Claim and any related material available for such discussions.

Parties Required to File a Response. If you are not able to consensually resolve the Objection filed with respect to your Claim as set forth above, you must file a response (each, a “Response”) with the Court in accordance with the procedures described below.

Response Contents. Each Response must contain the following (at a minimum):

- a. a caption stating the name of the Court, the name of the Debtors, the case number, the title of the Omnibus Objection to which the Response is directed, and, if applicable, the Proof of Claim number(s) related thereto from the Claims Register;
- b. a concise statement setting forth the reasons why the Court should not grant the Omnibus Objection with respect to such Claim, including the factual and legal bases upon which the claimant will rely in opposing the Omnibus Objection;
- c. a copy of any other documentation or other evidence of the Claim, to the extent not already included with the Claim, upon which the claimant will rely in opposing the Omnibus Objection; *provided, however*, that the claimant need not disclose confidential, proprietary, or otherwise protected information in the Response; *provided further, however*, that the claimant shall disclose to the Plan Administrator all information and provide copies

of all documents that the claimant believes to be confidential, proprietary, or otherwise protected and upon which the claimant intends to rely in support of its Claim, subject to appropriate confidentiality constraints; and

- d. the following contact information for the responding party:
- i. the name, address, telephone number, and email address of the responding claimant or the name, address, telephone number, and email address of the claimant’s attorney or designated representative to whom the attorneys for the Plan Administrator should serve a reply to the Response, if any; or
  - ii. the name, address, telephone number, and email address of the party with authority to reconcile, settle, or otherwise resolve the Omnibus Objection on the claimant’s behalf.

Notice and Service. Your Response must be filed with the Court and served so as to be *actually received by 4:00 p.m. (prevailing Eastern Time) on [ \_\_\_ ], 2020* (the “Response Deadline”) by the following parties (the “Notice Parties”):

Plan Administrator	Counsel to the Plan Administrator	United States Trustee
Drivetrain, LLC 410 Park Avenue, Suite 900 New York, NY 10022 Attn: Marc D. Rosenberg	Pachulski Stang Ziehl & Jones LLP 780 Third Avenue, 34 <sup>th</sup> Floor New York, NY 10017 Attn: Beth E. Levine  -and-  Pachulski Stang Ziehl & Jones LLP 10100 Santa Monica Blvd. 13 <sup>th</sup> Floor Los Angeles, CA 90067 Attn: Shirley S. Cho	Office of the United States Trustee for the Southern District of New York 201 Varick Street, Suite 1006 New York, NY 10014 Attn: Shannon Scott, Esq.

Failure to Respond. A Response that is not filed a served by the Response Deadline in accordance with the procedures set forth herein may not be considered by the Court at the Hearing. **Absent reaching an agreement with the Plan Administrator resolving the Objection to a Claim, failure to timely file and serve a Response as set forth herein may result in the Court granting the Objection without further notice or hearing.** Upon entry of an order, affected creditors will be served with a notice of entry, and a copy, of the order.

**Hearing on the Objection**

Date, Time, and Location. A hearing (the “Hearing”) on the Objection will be held on \_\_\_\_\_, 2020 [ \_\_\_ ] prevailing Eastern Time, before the Honorable Michael E. Wiles,

United States Bankruptcy Judge for the Southern District of New York, in Courtroom 617 of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, NY 10014. The hearing may be adjourned to a subsequent date in these cases in the Court's or Plan Administrator's discretion. **You must attend the Hearing if you disagree with the Objection and have filed a Response.** If such Claims cannot be resolved and a hearing is determined to be necessary, the Plan Administrator shall file with the Court and serve on the affected claimants a notice of the hearing, to the extent the Plan Administrator did not file a notice of hearing previously.

Discovery. If the Plan Administrator determines that discovery is necessary in advance of a hearing on an Omnibus Objection, the Plan Administrator will serve notice on the affected claimant and its counsel of record that the scheduled hearing will be treated as a status conference during which the parties will request that the Court issue a scheduling order to facilitate dismissal or resolution of the litigation. Such notice may be incorporated into the initial agenda letter for the hearing, or may be provided by separate notice. In accordance with Local Bankruptcy Rule 9014-2, the first hearing on any Omnibus Objection contested with respect to a particular Claim will not be an evidentiary hearing and there is no need for any witnesses to appear at such a hearing unless otherwise ordered by the Court in accordance with Local Bankruptcy Rule 9014-2.

#### **Additional Information**

Additional Information. Copies of these procedures, the Motion, or Order or any other pleadings (the "Pleadings") filed in the chapter 11 cases are available for free online at the website of Omni Agent Solutions at <http://www.omniagentsolutions.com/hollander>. You may also obtain copies of any of the Pleadings filed in the chapter 11 cases for a fee via PACER at <http://www.nysb.uscourts.gov>.

**Reservation of Rights**

**NOTHING IN ANY OMNIBUS OBJECTION OR OBJECTION NOTICE IS OR SHALL BE DEEMED TO CONSTITUTE A WAIVER OF ANY RIGHTS OF THE DEBTORS, POST-EFFECTIVE DATE DEBTORS, OR PLAN ADMINISTRATOR, AS APPLICABLE, TO DISPUTE ANY CLAIMS, ASSERT COUNTERCLAIMS, RIGHTS OF OFFSET OR RECOUPMENT, DEFENSES, OBJECT TO CLAIMS (OR OTHER CLAIMS OR CAUSES OF ACTION OF A CLAIMANT) ON ANY GROUNDS NOT PREVIOUSLY RAISED IN AN OBJECTION, UNLESS THE COURT HAS ALLOWED A CLAIM OR ORDERED OTHERWISE, OR SEEK TO ESTIMATE ANY CLAIM AT A LATER DATE. AFFECTED PARTIES WILL BE PROVIDED APPROPRIATE NOTICE THEREOF AT SUCH TIME.**

Dated:

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Bradford J. Sandler, Esq.  
Shirley S. Cho, Esq.  
Beth E. Levine, Esq.  
PACHULSKI STANG ZIEHL & JONES LLP  
780 Third Avenue, 34th Floor  
New York, NY 10017  
Telephone: (212) 561-7700  
Facsimile: (212) 561-7777

*Counsel to the Plan Administrator*

## **Appendix “E”**



**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK**

-----X  
:
  
**In re** : **Chapter 11**
  
:
  
**HSP LIQUIDATION, LLC, et al.,<sup>1</sup>** : **Case No. 19-11608 (MEW)**
  
:
  
: **Jointly Administered**
  
:
  
**Debtors.** :
  
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**NOTICE OF SATISFACTION**

**PLEASE TAKE NOTICE THAT** Drivetrain, LLC, in its capacity as Plan Administrator (the “Plan Administrator”) acting on behalf of Hollander Sleep Products, LLC and its affiliated post-effective date debtors (collectively, the “Post-Effective Date Debtors” and before the Effective Date of the Plan, the “Debtors”),<sup>2</sup> has identified you as holding the below Claim(s) against the Debtors, which according to the Debtors’ books and records, have been satisfied in full as follows:

<b>Claimant Name</b>	<b>Claim/Schedule No.</b>	<b>Total Claim Value</b>

**PLEASE TAKE FURTHER NOTICE THAT** pursuant to the payments under the Plan and during the Debtors’ chapter 11 cases, the Plan Administrator believes you are not owed any amounts that relate to periods before May 19, 2019.

**PLEASE TAKE FURTHER NOTICE THAT** if you wish to contest the Plan Administrator’s position that your Claim(s) has/have been fully satisfied pursuant to the Plan or an order of the Court you must file a response in writing (each, a “Response”) and file it with the Clerk of the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York, 10022-1408, Attn: Vito Genna, and served upon the undersigned and the Notice Parties:

<sup>1</sup> The Post-Effective Date Debtors in these chapter 11 cases, along with the last four digits of each Post-Effective Date Debtor’s federal tax identification number are: Dream II Holdings, LLC (7915); HHFH Liquidation, LLC (2063); HSP Liquidation, LLC (2143); PCF Liquidation, LLC (1445); HSPK Liquidation, LLC (4119); PCFC Liquidation, LLC (3119); and HSPC Liquidation Limited (3477).

<sup>2</sup> All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Objection.

<b>Plan Administrator</b>	<b>Counsel to the Plan Administrator</b>	<b>United States Trustee</b>
Drivetrain, LLC 410 Park Avenue, Suite 900 New York, NY 10022 Attn: Marc D. Rosenberg	Pachulski Stang Ziehl & Jones LLP 780 Third Avenue, 34 <sup>th</sup> Floor New York, NY 10017 Attn: Beth E. Levine  -and-  Pachulski Stang Ziehl & Jones LLP 10100 Santa Monica Blvd. 13 <sup>th</sup> Floor Los Angeles, CA 90067 Attn: Shirley S. Cho	Office of the United States Trustee for the Southern District of New York 201 Varick Street, Suite 1006 New York, NY 10014 Attn: Shannon Scott, Esq.

Responses, if any, must be served so as to be **actually received** on or before **4:00 p.m. prevailing Eastern Time on \_\_\_\_\_, 2020**, or such shorter time as the Court may hereafter order and of which you may receive subsequent notice (the “Response Deadline”). You may not object to a Cure Amount or any other amount previously approved by an order of the Court.

**PLEASE TAKE FURTHER NOTICE THAT** unless a Response is timely filed, served and received by the Response Deadline, the Plan Administrator will cause its Notice and Claims Agent to expunge such Claim from the Claims Register and such claimant shall not be treated as a creditor with respect to the Claim for purposes of distribution.

**PLEASE TAKE FURTHER NOTICE THAT** copies of these procedures, the Motion, or Order or any other pleadings (the “Pleadings”) filed in the chapter 11 cases are available for free online at the website of Omni Agent Solutions at <http://www.omniagentsolutions.com/hollander>. You may also obtain copies of any of the Pleadings filed in the chapter 11 cases for a fee via PACER at <http://www.nysb.uscourts.gov>. **Please do not contact the Court to discuss the merits of any Claim or any Objection filed with respect thereto.**

Dated:

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Bradford J. Sandler, Esq.  
Shirley S. Cho, Esq.  
Beth E. Levine, Esq.  
PACHULSKI STANG ZIEHL & JONES LLP  
780 Third Avenue, 34th Floor  
New York, NY 10017  
Telephone: (212) 561-7700  
Facsimile: (212) 561-7777

*Counsel to the Plan Administrator*

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, C. C-36,  
AS AMENDED

Court File No.: CV-19-620484-00CL

AND IN THE MATTER OF HOLLANDER SLEEP PRODUCTS LLC, HOLLANDER SLEEP PRODUCTS  
CANADA LIMITED, DREAM II HOLDINGS, LLC, HOLLANDER HOME FASHIONS HOLDINGS, LLC,  
PACIFIC COAST FEATHER, LLC, HOLLANDER SLEEP PRODUCTS KENTUCKY, LLC, AND  
PACIFIC COAST FEATHER CUSHION, LLC

APPLICATION OF HOLLANDER SLEEP PRODUCTS LLC UNDER SECTION 46 OF THE  
*COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**FOURTH REPORT OF KSV KOFMAN INC.,  
AS COURT-APPOINTED INFORMATION  
OFFICER OF HOLLANDER SLEEP PRODUCTS,  
*ET AL.***

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Lawyers for KSV Kofman Inc. in its capacity as  
Information Officer